

The Federal Farm Loan Act

Synopsis of Its Salient Features Prepared
by H. M. Hanson, Secretary-Treasurer Farm
Mortgage Bankers' Association of America

FEDERAL FARM LOAN ACT

Passed by the House of Representatives and the United States Senate June 27 and 28, 1916, Respectively.

Signed by the President July 17, 1916.

3.—Provides for a federal land bank system in the continental United States (exclusive of Alaska), dividing the country into twelve land bank districts composed of whole states.

3.—The system is operated as a bureau of the United States treasury department and supervised by the federal farm loan board. The secretary of the treasury is ex-officio chairman of the board with four other members appointed by the president for eight years at an annual salary of \$10,000. One member is designated farm loan commissioner and is the active executive officer.

3.—Appointees of Board: (a) Farm loan registrar for each land bank district and

(b) One or more land appraisers for each land bank district. Salaries paid by federal land bank or joint stock land bank for which they act.

(c) Land bank examiners; salaries paid by the United States.

(d) Attorneys, experts, assistants and other employees to be paid by the United States.

17.—Powers of the Board: (a) To organize and charter federal land banks, joint stock land banks and national farm loan associations.

(b) To review and alter the rate of interest to be charged by federal land banks for loans.

(c) To approve or reject any or all loans for bond issue and to grant or refuse any specific issue of farm loan bonds of federal land banks and joint stock land banks.

(d) To regulate charges for appraisal, examining titles and recording.

(e) To appraise land securing mortgages for bond issue.

(f) To exercise general supervisory authority over the federal land banks, farm loan associations and joint stock land banks.

30.—The farm loan commissioner shall examine the laws of every state and if on examination the laws of any state are shown to afford insufficient protection to holders, its mortgages shall be declared ineligible under this act during the continuance of the laws in question.

32.—The secretary of the treasury is authorized to deposit United States funds in federal land banks at current government rates of interest, the aggregate of such funds not to exceed \$5,000,000 at any one time.

FEDERAL FARM LOAN BANKS

ORGANIZATION.

Section 4.—One in each land bank district. Branches permitted within its district. Officers: President, vice president, secretary and treasurer; directors; six representatives of farm loan associations and three representing the public interest. Attorneys, assistants, experts and other employees. All salaries fixed by farm loan board and paid by bank. Subject to semiannual examinations by land bank examiner.

CAPITAL STOCK.

Sec. 5.—\$500,000. May be owned by individuals, firms, corporations and the United States and state governments.

Sec. 5.—Shares, \$5 each.

Sec. 5.—All stock remaining unsubscribed 30 days after subscription books are opened shall be subscribed by the United States and thereafter only the United States government and borrowers may acquire shares of stock.

Sec. 5.—United States government not to participate in dividends. All other stockholders share dividends equally.

Sec. 5.—The original capital stock shall be gradually retired after the stock held by farm loan associations shall amount to \$750,000.

Sec. 5.—Not less than 5 per cent of capital shall be invested in United States government bonds.

POWERS.

Sec. 13.—To buy first farm mortgages within its district and to issue and sell farm loan bonds.

Sec. 13.—To receive from farm loan associations interest and amortization payments on mortgages and farm loan bonds.

Sec. 13.—To acquire and dispose of real and personal property necessary for the convenient transaction of business; and land taken in satisfaction of debts or purchased under judgments, decrees or mortgages held by it. Shall not hold title exceeding five years.

Sec. 13.—To accept deposits of securities or current funds from member associations but pay no interest thereon.

Sec. 13.—To borrow money on security and pay interest thereon.

Sec. 13.—To buy and sell United States bonds.

Sec. 13.—To appraise lands for bond issue and to charge applicants and borrowers the cost of land appraisal, examining titles, recording and other legal fees, said fees to be paid in cash

or be made part of loan and paid in amortization payments.

Sec. 14.—To accept mortgages only from farm loan associations and approved agents.

Sec. 14.—To accept deposits of current funds only from its stockholders.

Sec. 6.—To become financial agents of United States government and depository of public money. Public deposits cannot be invested in mortgages or farm loan bonds.

Sec. 13.—To deposit its securities and current funds subject to check with any member bank of the federal reserve system and to receive interest thereon.

BONDS.

Sec. 20.—Issued in series of \$50,000 or more, in denominations of \$25, \$50, \$100, \$500 and \$1,000.

Sec. 20.—May bear a maximum rate of 5 per cent interest per annum.

Sec. 19.—Mortgages and United States government bonds equal in amount to the farm loan bonds issued are retained as collateral security by the land bank registrar.

Sec. 14.—The outstanding farm loan bonds shall not exceed 20 times the capital and surplus.

Sec. 21.—Shall be guaranteed by bank of issue and all other federal land banks.

Sec. 17.—No issue is authorized without the approval of the farm loan board.

Sec. 22.—Substitution of mortgages and United States government bonds held as collateral to farm loan bonds is permitted.

TAXATION.

Sec. 26.—The capital stock, surplus, mortgages and farm loan bonds and all income derived therefrom are exempt from federal, state, municipal and local taxation.

Sec. 26.—Real property taken and held under the provisions of sections 11 and 13 is not tax exempt.

AGENTS.

Sec. 15.—Incorporated banks, trust companies, mortgage companies or chartered savings institutions may act as agents for federal land banks if no farm loan association has been formed in a given locality after one year.

Sec. 15.—Borrowers securing loans through agents are required to subscribe 5 per cent of the loan to the capital of the federal land bank.

Sec. 15.—Agents are entitled to a commission of one-half of 1 per cent per annum on unpaid principal of each loan they negotiate and the bank shall pay agent for actual expenses for appraising land, examining titles, executing and recording the mortgage papers which shall be added to the face of the loan.

Sec. 15.—Agents shall indorse and become liable for the payment of the loans they negotiate and the aggregate unpaid principal of such loans shall not exceed ten times the agent's capital and surplus.

Sec. 15.—Agents are required to make good any default within 30 days after notice.

Sec. 15.—All collections made shall be remitted without charge.

SPECIAL PROVISIONS.

Sec. 22.—Amortization and other payments constitute a trust fund to be invested as follows:

(a) To pay off maturing farm loan bonds.

(b) To purchase farm loan bonds.

(c) To lend on first farm mortgages within the district.

(d) To buy United States government bonds.

Sec. 23.—Reserve and dividends: No limit is placed on dividend distributions after a reserve account has been built up from earnings equal to 20 per cent of the capital stock and after 5 per cent of the net earnings annually thereafter are added to the reserve account.

Sec. 23.—Reserve funds to be invested as prescribed by the federal farm loan board.

Sec. 27.—Farm loan bonds are lawful investments for fiduciary and trust funds and security for all public deposits.

Sec. 27.—Federal reserve bank may buy and sell farm loan bonds.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 14.—No commission or charge not specifically authorized in this act shall be demanded or received.

Sec. 14.—No commission or charge not specifically authorized in this act shall be demanded or received.

Sec. 14.—No commission or charge not specifically authorized in this act shall be demanded or received.

Sec. 14.—No commission or charge not specifically authorized in this act shall be demanded or received.

Sec. 14.—No commission or charge not specifically authorized in this act shall be demanded or received.

Sec. 14.—No commission or charge not specifically authorized in this act shall be demanded or received.

Sec. 14.—No commission or charge not specifically authorized in this act shall be demanded or received.

Sec. 14.—No commission or charge not specifically authorized in this act shall be demanded or received.

Sec. 14.—No commission or charge not specifically authorized in this act shall be demanded or received.

Sec. 14.—No commission or charge not specifically authorized in this act shall be demanded or received.

Sec. 14.—No commission or charge not specifically authorized in this act shall be demanded or received.

Sec. 14.—No commission or charge not specifically authorized in this act shall be demanded or received.

Sec. 14.—No commission or charge not specifically authorized in this act shall be demanded or received.

Sec. 14.—No commission or charge not specifically authorized in this act shall be demanded or received.

Sec. 14.—No commission or charge not specifically authorized in this act shall be demanded or received.

Sec. 14.—No commission or charge not specifically authorized in this act shall be demanded or received.

Sec. 14.—No commission or charge not specifically authorized in this act shall be demanded or received.

Sec. 14.—No commission or charge not specifically authorized in this act shall be demanded or received.

Sec. 14.—No commission or charge not specifically authorized in this act shall be demanded or received.

the capital stock of the association which in turn subscribes an equal amount of stock in the federal land bank.

Sec. 8.—Shares are paid for in cash or (9) the amount may be added to the face of the loan and retired in amortization payments at par. In such case the face of the loan shall not exceed the 50 per cent and 20 per cent limitation.

Sec. 7.—Assessment on shares may be levied for operating expenses if funds are not otherwise available.

POWERS.

Sec. 10.—To appraise land for mortgage through its loan committee of three.

Sec. 11.—To indorse and become liable for the mortgages of its shareholders.

Sec. 11.—To receive and deliver the proceeds of loans to borrowers.

Sec. 11.—To acquire and dispose of property necessary for the convenient transaction of its business.

Sec. 11.—To issue certificates of deposit for not longer than one year and to pay 4 per cent interest thereon, convertible into farm loan bonds at the federal land bank of its district.

Sec. 7.—To receive and transmit to the federal land bank payments of interest and principal and amortization payments.

LOANS.

Sec. 12.—Loans shall be secured by first mortgages on land within its land bank district.

Section 12.—To run from 5 to 40 years with amortization and with additional optional prepayments after five years.

Sec. 12.—Interest on loans shall not exceed 6 per cent per annum on the unpaid principal.

Sec. 12.—Borrowers shall pay 8 per cent simple interest on defaulted payments.

Sec. 12.—Loans may be made for the following purposes and for no other under penalty:

(a) To purchase land for agricultural purposes.

(b) To purchase equipment, fertilizer and live stock for the operation of the mortgaged farm.

(c) To provide buildings and for the improvement of farm lands.

(d) To pay debts existing at time of organization of the first national farm loan association within the county.

Sec. 12.—Maximum loan \$10,000; minimum loan \$100.

Sec. 12.—No loan shall exceed 50 per cent of the value of the land mortgaged and 20 per cent of the permanent insured improvements.

Sec. 12.—No loans shall be made to any person who is not at the time or shortly to become engaged in the cultivation of the farm mortgaged.

Note.—All applications for loans originate with the national farm loan associations or agents and all loans are made and closed by the federal land banks. This does not apply to joint stock land banks.

TAXATION.

Sec. 26.—Same as applies to federal land banks.

SPECIAL PROVISIONS.

Sec. 9.—Associations may retain as commission one-eighth of 1 per cent semiannually from interest payments on the unpaid principal of loans.

Sec. 9.—Associations may borrow from federal land banks at 6 per cent annual interest up to one-fourth of its total stockholdings in said bank.

Sec. 24.—Reserves and dividends: No limit is placed on dividend distributions after the reserve account, built up from net earnings equals 20 per cent of the capital stock and after 2 per cent of the net earnings annually thereafter are added to the reserve account.

Sec. 25.—Defaults must be made good within 30 days after notice.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

the purposes prescribed for national farm loan associations.

Sec. 16.—Loans may be made to farm owners regardless of whether engaged in cultivation of the land mortgaged or not.

Sec. 16.—Interest on loans shall not exceed more than 1 per cent, the interest rate established for its last series of bonds, nor more than 6 per cent in any case.

Sec. 16.—Commissions or other charges not specifically authorized by this act shall not be demanded or received.

BONDS.

Sec. 20.—Issued in series of \$50,000 or more, in denominations of \$25, \$50, \$100, \$500 and \$1,000.

Sec. 20.—May bear maximum rate of 5 per cent interest per annum.

Sec. 16.—Bonds shall be so engraved as to be readily distinguishable from federal land bank bonds.

Sec. 19.—Mortgages and United States government bonds equal in amount to the farm loan bonds issued are retained as collateral security by the land bank registrar.

Sec. 17.—No issue is authorized without the approval of the farm loan board.

Sec. 27.—Federal reserve banks are authorized to buy and sell the bonds of joint stock land banks.

Sec. 22.—Substitution of mortgages and United States government bonds held as collateral to farm loan bonds is permitted.

Sec. 27.—Its bonds are lawful investments for fiduciary and trust funds and security for all public deposits.

TAXATION.

Sec. 26.—The capital stock, surplus and earnings are subject to the taxing powers of the state.

Sec. 26.—Its mortgages executed under this act and its farm loan bonds and all income derived therefrom are exempt from federal, state and municipal and local taxation.

Sec. 26.—Real property taken and held under the provisions of sections 11 and 13 is not tax exempt.

SPECIAL PROVISIONS.

Sec. 6.—Joint stock land banks are made public depositories and financial agents of the United States government.

Sec. 6.—Public deposits cannot be invested in farm mortgages or in farm loan bonds.

Sec. 10.—Rate of interest for loans under 6 per cent are not subject to review or alteration by the farm loan board.

Sec. 13.—Shall receive no deposits except public deposits.

Sec. 22.—Amortization and other payments constitute a trust fund to be invested as follows:

(a) To pay off its maturing farm loan bonds.

(b) To purchase farm loan bonds.

(c) To lend on first mortgages within its prescribed field.

(d) To purchase United States government bonds.

Sec. 23.—Reserve and dividends provided for as in the case of federal land banks.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.

Sec. 29.—Provision is made for dissolution and the appointment of a receiver.